In 2009, the Minnesota Legislature created a Statewide Volunteer Firefighter Retirement Plan (referred to as “the SVF Plan” throughout this chapter) for volunteer firefighters who provide service to a municipal fire department or an independent nonprofit firefighting corporation.

Participation is voluntary and open to fire departments as a replacement of their existing volunteer firefighter retirement plan. It is also open to municipalities that do not currently have a retirement plan for their volunteer firefighters.

The PERA Board of Trustees and Executive Director are responsible for the administrative management of the SVF Plan. The PERA Board receives advice and guidance on plan administration and design from a member advisory board that represents Minnesota townships, cities, fire chiefs, and volunteer firefighters.

The SVF is governed by Minnesota Statutes Chapter 353G. The plan is a Defined Benefit Plan but it has distinct differences from the other DB plans administered by PERA. The retirement benefit is a lump-sum amount, based on a specific dollar value paid for each year of credited service accumulated by a volunteer firefighter who terminates service and meets the minimum requirements for receipt of the benefits.

The lump-sum benefits payable from the SVF Plan are funded by
existing fire state aid allocated to a municipality, additional municipal contributions, as applicable, and earnings on the investment of these funds. The dollar value payable per year of service is determined by the sponsoring municipality or entity at the time an election to participate in the Plan is made. The service pension levels range in $100 increments between the minimum level of $500 and $10,000, the maximum level. An entity may elect to increase the benefit level after joining the plan.

This chapter is meant to explain the provisions relating to the SVF Plan. The Minnesota Legislature or the federal government may change the statutes, rules and regulations governing PERA at any time. The statutes and regulations shall govern if there is any discrepancy between them and the information in this document.

Why Join?
The decision to join the SVF Plan is made by the entity operating the fire department and the volunteer firefighter relief association (if one exists). The following list identifies some advantages and disadvantages that should be considered as part of a decision on whether or not to join the statewide plan.

Advantages
Although the SVF Plan may not be the best option for all fire departments, there are certain advantages of joining the plan for many entities as follows:

1. The assumed investment earnings rate of 6 percent in the SVF Plan is higher than the 5 percent rate set in statute for local relief associations. When determining the municipality’s required contribution amount, the SVF Plan is allowed to assume that more of the contribution will be covered by investment earnings, thus reducing the amount required by the municipality.

2. Once a fire department’s volunteers are covered by the SVF Plan, the fire relief association board will no longer be obligated to perform certain duties as follows:

   a. assemble and file many of the various financial reports and statements with the State Auditor’s Office, as is currently required by law. The relief association board will need to file one last set of reports in the year they join the plan, but PERA will handle all of the paperwork in subsequent years;

   b. pay for an outside audit or attestation by a CPA. The relief association board or municipality will need to conduct one last audit or attestation in the year they join the plan, but then will be relieved of that responsibility;

   c. invest the assets of the special fund. The State Board of Investment will take over that responsibility using professional portfolio managers. Since they are able to pool the assets of several entities together when investing, they are often able to take advantage of efficiencies and asset size to negotiate better returns; and

   d. pay benefits and file the paperwork necessary to receive the Department of Revenue reimbursement for the supplemental piece of the benefit.
3. In most cases the volunteer firefighters will join the plan at a benefit level equal to or higher than the benefit level currently in effect with the relief association. Since the assumed investment earnings rate is 6%, municipalities can afford to provide a higher benefit level without seeing an increase in required contributions.

4. The SVF Plan provides portability provisions for firefighters who transfer from one fire department to another fire department. If both fire departments belong to the statewide plan, the combined service in both fire departments is added together to determine vesting and benefit amounts.

Disadvantages
While some relief associations look forward to not being associated with the investment assets, paperwork and administration of benefits, others are uncomfortable giving up the current level of control of the assets and the design of the retirement plan.

A possible disadvantage of joining the statewide plan is future benefit increases are at the discretion of the entity sponsoring the fire department, not the relief association. (Once a benefit level is established, a sponsoring agency cannot unilaterally decrease it.) However, recent legislative changes established a process which allows the sponsoring municipality or entity associated with a fire department covered by a statewide voluntary firefighter retirement plan account to terminate participation in the SVF Plan.

A second possible disadvantage is the statewide plan is not set up to pay annuities on a monthly basis, although 2015 legislation allows PERA to assume administration of plans of departments that currently provide monthly benefits to their retirees.

Requesting Participation
As noted previously, the decision to participate is made by the entity operating the fire department and the volunteer firefighter relief association (if one exists). Firefighters may not join the SVF Plan on their own.

The process for electing coverage of volunteer firefighters under the SVF Plan is described below. The steps vary only slightly if a city does not have a volunteer fire relief association benefit plan for its firefighters as compared to those that have a relief association benefit plan already available.

Cost Analysis
The process begins by asking PERA for a cost analysis of the prospective retirement coverage. The analysis will provide the entity operating the fire department an estimate of future annual contributions that will be required to provide the level of benefits selected. There is no charge for this service.

If the volunteer firefighters are covered by an existing relief association, the secretary of the relief association must ask the association board to approve a request for a cost analysis from PERA. Whether or not there is an existing relief association, the chief administrative officer of the municipality or non-profit fire corporation sponsoring the fire department must seek approval from the city council or the non-profit’s board to request a cost analysis.

Send for a Cost Analysis Request to get estimates of costs of the potential retirement coverage.
If the governing board approves of a cost analysis, the secretary of the relief association (if one exists) and chief administrative officer of the entity sponsoring the fire department jointly submit a Cost Analysis Request form to PERA’s executive director for estimates of costs of the potential retirement coverage. Among other things, the form requires details about the proposed benefit level(s) and any assets that might be transferred to the SVF Plan.

If the volunteer fire department is associated with more than one municipality or non-profit fire corporation, the chief administrative officer of each sponsoring entity of the fire department must jointly execute the request. Once PERA receives the Cost Analysis Request form, staff will contact the fire department or the State Auditor’s Office to obtain information needed to calculate costs and a copy of the relief association bylaws, if applicable. The data collected on individual firefighter members include birth dates, years of service in any existing plan, and current plan status.

PERA makes every attempt to calculate the cost analysis in a timely manner; however, depending on the number of requests made, it could take two weeks or more.

While PERA is conducting the cost analysis, if a relief association plan, as applicable. Similarly, if coverage in the plan is not acted upon, no change is made and firefighters will not be enrolled in the Plan. Entities may request an additional cost analysis at any time in the future using the same procedure as outlined previously.

The results of PERA’s cost analysis are sent to those who initiated the request. Upon receipt of the analysis, the governing body of the municipality or municipalities, or independent nonprofit corporation associated with the fire department has 90 days to approve coverage in the SVF Plan. If the retirement plan coverage change is not acted upon within 120 days, it is considered disapproved and previous coverage continues.

The approval by the governing body should be in writing through a board or council resolution stating that coverage has been approved. A copy of the resolution must be sent to PERA. Figure 1 on the next page is a model resolution that can be used.

Coverage in the SVF Plan is effective January 1st of the year following when assets are transferred. For example, if a board approves participation in the Plan during 2011, assets are transferred on December 31, 2011 and coverage subsequently begins January 1, 2012.

Of course, if participation is not approved, the SVF Plan is not extended to firefighters and the firefighters continue as before with or without a relief association benefit.

A resolution is needed from the governing body that approves the SVF coverage. (See Figure 1.)
Figure 1 - A RESOLUTION OPTING TO JOIN THE STATEWIDE LUMP-SUM VOLUNTEER FIREFIGHTER RETIREMENT PLAN

THE CITY COUNCIL OF THE CITY ________________, MINNESOTA, DOES ORDAIN:

WHEREAS: The City is authorized to join the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan administered by the Public Employees Retirement Association (PERA); and
WHEREAS: The City and the City’s Fire Department Relief Association have jointly consented to and obtained a cost analysis for joining the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan from PERA not less than 120 days ago; and
WHEREAS: The City highly values the contributions of City Fire Department members to the safety and wellbeing of our community and wishes to safeguard their pension investments in a prudent manner.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ____________, MINNESOTA:

1) The City hereby approves coverage by and requests participation in the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan administered by PERA under the terms provided in the PERA cost analysis at the $_____ benefit level per year of service; and
2) The City Clerk/Administrator and Mayor are hereby authorized to execute all documents necessary to effectuate the intent of this resolution.

The motion for the adoption of the foregoing resolution was proposed by Councilmember ____________ and was duly seconded by Councilmember ____________ and upon vote being taken thereon, the following voted in favor: ____________ and the following voted against the same: ____________.

Whereupon said resolution was declared duly passed and adopted by the City Council of the City of ____________, on __________, 20___.

BY: ________________________________ ATTEST:

Mayor City Clerk or Administrator
Transition Steps

If participation in the SVF Plan is approved, PERA will notify the State Board of Investments (SBI). The SBI will work with the owner of the assets to ensure a smooth transfer of assets at the end of the year in which the change in coverage is approved.

Once participation in the Plan is approved, the process of creating PERA member accounts for the active and inactive firefighters begins. PERA staff uses the data from the cost analysis assessment to create member records for all individuals included in that assessment. PERA also works with the fire chief to establish a separate Entity Account in which assets necessary to fund benefits are maintained.

When the assets are transferred to the SBI, the special fund of the applicable volunteer firefighters’ relief association, if one exists, ceases to exist as a pension fund. Furthermore, legal title to the assets is transferred to the SBI, but with the title to the assets remaining to fund eventual benefits to the applicable volunteer firefighters.

With some modifications (see the following section), the relief association may continue as an organization and maintain its general fund.

Changes for Entities with a Relief Association

Certain relief association changes will take place on the effective date of the change in volunteer firefighter retirement coverage. These changes are listed in Minnesota Statutes 353G.06, subdivision 2. If the relief association membership elects to retain the relief association, the following changes must be implemented. The relief association:

- board of trustees membership is reduced to five, comprised of the fire department’s fire chief and four trustees elected by and from the relief association membership;
- may only maintain a general fund, which continues to be governed by Minnesota Statutes 424A.06;
- is not authorized to receive the proceeds of any state aid or to receive any municipal funds. Future fire state aid payments will be sent directly from the Department of Revenue to PERA to be deposited in your account; and
- may not pay any service pension or benefit that was not authorized as a general fund disbursement under the articles of incorporation or bylaws of the relief association in effect prior to the plan coverage election process.

Should the association membership elect to retain the relief association, the bylaws of the association should be updated to reflect these changes.

Amended bylaws do not need to be filed with any agency, but it would be helpful to send a copy to PERA. They must be kept with records of the relief association. The relief association will also likely need to amend its articles of incorporation and file the changes with the Secretary of State’s office.

As non-profit corporations, relief associations will still have an annual renewal obligation with the Secretary of State’s Office and that can be done online. Relief associations may also have an obligation as a non-profit to annually file Form 990 with the IRS. This is best discussed with an attorney.
Annual Membership Reporting

Annually, by February 28th, the fire chief of each participating department must report to PERA the number of good time service credits that has been earned in the previous calendar year by each SVF Plan member. In addition, the fire chief must provide required information on any firefighters who joined the volunteer fire department during the prior calendar year.

PERA collects the service credit data through the Annual Service Credit Certification form, which is sent to participating entities in February of each year (see example below). This form lists each firefighter who is recorded in PERA's system as having provided services to the participating fire department in one or more months of the prior calendar year.

Ensure that the list of firefighters on the annual report is complete and then add the number of months of service credit due each individual.

The fire chief must review the list of firefighters to ensure that all individuals who are entitled to service credit in the covered year are on the report with the correct name and status. (If PERA had previously been informed that a member has terminated service or died, the report will show that status change and its effective date next to the applicable firefighter.) To report a change in name for a firefighter, or to advise PERA of a change in status for a member (i.e., leave of absence, termination of service, death), the fire chief may write directly on the certification form (using columns 1 and 3).

If the department has new firefighters who began their volunteer service in the year covered by the certification form, PERA needs to receive detailed information so that a member account...
can be established. In this situation, use a blank line at the bottom of the report to add the new member(s). For each new firefighter, fill in all six columns on the report. In the first column, please be sure to provide the full Social Security Number of each new firefighter so that PERA staff can complete the enrollment process.

For each firefighter on the report, the fire chief must insert the number of months of good time service credit (in column 2) that is due for the covered calendar year. This column should not be left blank for any firefighter. If no credits were earned, insert a zero (0) in the column. Minnesota Statutes Chapter 353G does not define good time service credit. The fire chief determines the minimum activity levels and length of time a volunteer firefighter must serve to receive credit. Credit may be awarded in annual or monthly increments as determined by the chief of the fire company.

The completed, signed Annual Service Credit Certification form must be returned to PERA no later than February 28th of each year. When returning the completed form, please mail it to the following address: PERA, PO Box 75608, St. Paul, MN 55175-0608. Keep a copy of the form in your records for future reference.

### Plan Funding

If participation in the SVF Plan is approved, PERA will notify the State Board of Investments (SBI). The SBI will work with the owner of the assets to ensure a smooth transfer of assets at the end of the year in which the change in coverage is approved.

Each participating department in the plan has a separate account in which the assets necessary to fund benefits are maintained. Annually, PERA assesses the level of funding that is needed to maintain sufficient assets to pay benefits being earned by each participating entity’s volunteer. Required contributions for the coming year will be based on the service credit data provided to PERA through the annual reporting process done in March by each department’s fire chief. In the summer of each year, the sponsors of the SVF Plan will receive a notice from PERA of the required contributions for the next year. On October 1, PERA receives the Fire State Aid payments allocated to participating entities and deposits the funds directly into each entity’s account. The following table summarizes the annual payment activities connected with the SVF Plan.

#### Annual Schedule of Payment

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 28th</td>
<td>Fire Chief must certify good-time service credits to PERA no later than this date.</td>
</tr>
<tr>
<td>Spring</td>
<td>PERA calculates liabilities and required contributions for the year.</td>
</tr>
<tr>
<td>Summer</td>
<td>PERA notifies municipalities and non-profit fire companies of expected Fire State Aid payments and required contributions for coming year.</td>
</tr>
<tr>
<td>October 1st</td>
<td>PERA receives Fire State Aid for the former relief associations and new plan sponsors</td>
</tr>
<tr>
<td>December 31st</td>
<td>If the employer received an invoice for employer contributions, the payment is due by the end of the year.</td>
</tr>
</tbody>
</table>
Retirement Benefits

The SVF Plan provides for the payment of lump-sum retirement benefits that are based on a specific dollar value paid for each year of credited service to a volunteer firefighter who terminates service and meets the minimum requirements for receipt of the benefits.

The dollar value payable per year of service is determined by the sponsoring municipality or entity at the time an election to participate in this plan is made. Prorated benefits are paid to retiring firefighters with between 5 and 20 years of service. More detailed information on benefits is available in the Statewide Volunteer Firefighter Retirement Plan brochure for members.

Completion of the Application for Lump-Sum Benefits from the Statewide Volunteer Firefighter Retirement Plan is required before a benefit can be paid. The Fire Chief completes Part A of the application to verify eligibility for a benefit. Then the retiring firefighter must complete Part B of the application and sign it in the presence of a notary public.

To be eligible for a benefit, a firefighter must:

1. be at least 50 years old,

2. be vested, meaning must have acquired a minimum of 5 years of “good-time” service credit; and

3. sever the employment relationship with the fire department for a minimum of 30 days.

A full retirement benefit is payable to a firefighter with 20 years of service. Firefighters retiring with fewer than 20 but at least 5 years of service are eligible for a percentage of a full benefit. Former members of the fire department who were vested at the time they left the department are also entitled to benefits when they attain age 50.

To receive a benefit, the firefighter must complete an application. The fire chief must also sign the application.
In addition to primary benefits, the SVF Plan provides the retiring firefighter with a one-time cash supplemental benefit equivalent to those outlined in Minnesota Statutes 424A.10. (Supplemental benefits are paid by PERA, and PERA is reimbursed for their costs by the State of Minnesota. Thus, individual accounts within the SVF Plan do not fund supplemental benefits.)

No benefits are payable to a firefighter who leaves the volunteer fire department before having earned five years of credited service, except as provided for under the portability provisions of the statewide plan.

The SVF Plan does not currently provide disability benefits.

**Portability Provisions**

One of the goals of the statewide plan for volunteer firefighters is to provide portability of benefits. The plan is designed to pay benefits to a firefighter who may not vest in one account, but when combining all volunteer fire service in accounts participating in the statewide plan, the individual has earned more than five years of credited service. If that is the case, a prorated share of benefits payable based on credits earned in each account would be payable to the individual who meets all other requirements for payment of a lump sum benefit under this plan.

**Benefits to a Surviving Spouse**

Benefits are paid to a surviving spouse of the deceased active or deferred member. If there is no surviving spouse, benefits are paid to the firefighters dependent children, and if no children, to the deceased firefighter’s estate. The survivor benefit is equivalent to the lump sum benefit that would have been payable to the firefighter at age 50 using the service credit earned as of the date of death. Refer to the Statewide Volunteer Firefighter Retirement Plan brochure for more details.